

**WEST VERNON PARISH
WATERWORKS DISTRICT**

Anacoco, Louisiana

Financial Report

Year Ended December 31, 2013

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INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
West Vernon Parish Waterworks District
Anacoco, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the West Vernon Parish Waterworks District (District), a component unit of the Vernon Parish Police Jury, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the West Vernon Parish Waterworks District, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of an error

Due to errors in computing ad valorem tax receivable, pension deduction liability, and construction in progress in a prior year, as discussed in Note 11 to the financial statements, the West Vernon Parish Waterworks District has restated their beginning net position. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

The West Vernon Parish Waterworks District has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the West Vernon Parish Waterworks District's basic financial statements. The supplementary information on pages 18 through 21 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2014 on our consideration of the West Vernon Parish Waterworks District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Kolder, Champagne, Slaven & Company, LLC

Certified Public Accountants

Oberlin, Louisiana
September 25, 2014

BASIC FINANCIAL STATEMENTS

WEST VERNON PARISH WATERWORKS DISTRICT
Anacoco, Louisiana

Statement of Net Position
December 31, 2013

ASSETS

Current assets:	
Cash and cash equivalents	\$ 197,015
Accounts receivable, net	54,899
Ad valorem tax receivable	46,014
Total current assets	<u>297,928</u>
Restricted assets -	
Revenue bond reserve account	261,037
Revenue bond contingency account	163,890
Customer deposits	38,825
Total restricted assets	<u>463,752</u>
Capital assets, net	<u>4,564,632</u>
Total assets	<u>5,326,312</u>

LIABILITIES

Current liabilities (payable from current assets):	
Accounts payable	4,545
Accrued liabilities	2,962
Salaries payable	2,611
Other liabilities	7,182
Total current liabilities (payable from current assets)	<u>17,300</u>
Current liabilities (payable from restricted assets):	
Customer deposits	38,825
Accrued interest on bonds	15,487
Current portion of long term debt	77,764
Total current liabilities (payable from restricted assets)	<u>132,076</u>
Total current liabilities	<u>149,376</u>
Noncurrent liabilities:	
Certificates of indebtedness payable	50,000
Revenue bonds payable	3,787,696
Total noncurrent liabilities	<u>3,837,696</u>
Total liabilities	<u>3,987,072</u>

NET POSITION

Net investment in capital assets	649,172
Restricted for debt service	409,440
Unrestricted	280,628
Total net position	<u>\$ 1,339,240</u>

The accompanying notes are an integral part of the basic financial statements.

WEST VERNON PARISH WATERWORKS DISTRICT
Anacoco, Louisiana

Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2013

Operating revenues:	
Charges for services -	
Water sales	\$ 599,682
Installation and service fees	23,510
Other fees	<u>20,013</u>
Total operating revenues	<u>643,205</u>
Operating expenses:	
Advertising and promotion	2,351
Salaries and related benefits	139,584
Per diem of board members	3,420
Operation of plant	167,984
Depreciation	<u>160,371</u>
Total operating expenses	<u>473,710</u>
Operating income	<u>169,495</u>
Nonoperating revenues (expenses):	
Ad valorem taxes	50,712
State revenue sharing	12,261
Interest income	59
Interest expense	<u>(196,593)</u>
Total nonoperating revenues (expenses)	<u>(133,561)</u>
Income before contributions	35,934
Capital contributions	<u>52,501</u>
Change in net position	88,435
Net position, beginning, as restated	<u>1,250,805</u>
Net position, ending	<u>\$1,339,240</u>

The accompanying notes are an integral part of the basic financial statements.

WEST VERNON PARISH WATERWORKS DISTRICT
Anacoco, Louisiana

Statement of Cash Flows
Year Ended December 31, 2013

Cash flows from operating activities:	
Receipts from customers	\$ 612,420
Payments to suppliers	(177,551)
Payments to employees and related costs	(136,973)
Other receipts	<u>20,013</u>
Net cash provided by operating activities	<u>317,909</u>
Cash flows from noncapital financing activities:	
Ad valorem taxes	50,041
State revenue sharing	12,261
Increase in meter deposits, net	<u>450</u>
Net cash provided by noncapital financing activities	<u>62,752</u>
Cash flows from capital and related financing activities:	
Principal paid on long-term debt	(74,361)
Interest paid on long-term debt	(196,750)
Capital contributions	52,501
Acquisition and construction of capital assets	<u>(58,359)</u>
Net cash used by capital and related financing activities	<u>(276,969)</u>
Cash flows from investing activities:	
Interest income	<u>59</u>
Net increase in cash and cash equivalents	103,751
Cash and cash equivalents, beginning of period	<u>557,016</u>
Cash and cash equivalents, end of period	<u>\$ 660,767</u>

(continued)

WEST VERNON PARISH WATERWORKS DISTRICT
Anacoco, Louisiana

Statement of Cash Flows (Continued)
Year Ended December 31, 2013

Reconciliation of operating income to net cash
provided by operating activities:

Operating income	\$ 169,495
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	160,371
(Increase) decrease in operating assets -	
Accounts receivable	(10,772)
Increase (decrease) in operating liabilities -	
Accounts payable	(6,038)
Accrued liabilities	(522)
Salaries payable	2,611
Other liabilities	2,764
Net cash provided by operating activities	<u>\$ 317,909</u>

Cash and cash equivalents reported on statement of net position as:

Cash and cash equivalents, beginning of period -	
Current	\$ 96,046
Restricted	460,970
	<u>\$ 557,016</u>
Cash and cash equivalents, end of period -	
Current	\$ 186,021
Restricted	474,746
	<u>\$ 660,767</u>
Net increase	<u>\$ 103,751</u>

The accompanying notes are an integral part of the basic financial statements.

WEST VERNON PARISH WATERWORKS DISTRICT
Anacoco, Louisiana

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies

The financial statements of West Vernon Parish Waterworks District (District) have been prepared in conformity with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant of the District's accounting policies are described below.

A. Financial Reporting Entity

The District was created in 2002 under the provisions of Louisiana Revised Statutes 33:3811-3837, for the purpose of providing water service to the rural western portion of Vernon Parish. The District is governed by a board of commissioners composed of five members appointed by the Vernon Parish Police Jury.

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Because the Vernon Parish Police Jury appoints the District's governing body, the District was determined to be a component unit of the Vernon Parish Police Jury, the governing body of the parish and the governmental entity with oversight responsibility. The accompanying financial statements present information only on the proprietary fund maintained by the District and do not present information on the Vernon Parish Police Jury, the general government services provided by that governmental entity, or the other governmental entities that comprise the financial reporting entity.

B. Basis of Presentation

The accompanying basic financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental entities and as a governmental entity provides certain disclosures required by the Governmental Accounting Standards Board.

C. Fund Accounting

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

WEST VERNON PARISH WATERWORKS DISTRICT
Anacoco, Louisiana

Notes to Basic Financial Statements (Continued)

The District maintains only one fund and it is described below:

Proprietary Fund –

Enterprise Fund

The Enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

D. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

The enterprise fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

The proprietary fund statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized in accordance with the requirements of GASB Statement No. 33 “Accounting and Financial Reporting for Nonexchange Transactions.”

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity

Cash and cash equivalents

Cash and cash equivalents consist of demand deposits. They are stated at cost, which approximates market. See Note (3) for other GASB No. 3 disclosures as amended by GASB No. 40.

WEST VERNON PARISH WATERWORKS DISTRICT
Anacoco, Louisiana

Notes to Basic Financial Statements (Continued)

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Enterprise fund activities report customer's utility service receivables as their major receivables. This receivable is reported net of an allowance for doubtful accounts, if any. There was no allowance recorded at December 31, 2013 due to immateriality.

Unbilled receivables resulting from services rendered between the date of meter reading and billing and the end of the month, are recorded at year-end.

The District also has major receivable balances for ad valorem taxes. This receivable is reported net of an allowance for uncollectible accounts. This allowance amount was immaterial at December 31, 2013.

Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets. They are reported at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$1,000 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against its operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Plant and Distribution System	40 years
Buildings	25 years
Equipment and Vehicles	5-7 years

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no deferred outflows of resources.

WEST VERNON PARISH WATERWORKS DISTRICT
Anacoco, Louisiana

Notes to Basic Financial Statements (Continued)

In addition to liabilities, the statement of net position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The District has no deferred inflows of resources.

Equity Classifications

In the Proprietary Fund, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.
- b. Restricted net position – Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Constraints may be placed on the use, either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – Net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in either of the other two categories of net position.

F. Revenues and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds generally are those that result from providing services and producing and delivering goods and/or services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. The District also recognizes as operating revenue the portion of new installation and tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

Nonoperating revenues and expenses are all amounts not meeting the above definition.

WEST VERNON PARISH WATERWORKS DISTRICT
Anacoco, Louisiana

Notes to Basic Financial Statements (Continued)

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. These estimates include assessing the collectability of accounts receivable and the useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from those estimates.

H. Restricted or Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

I. Reclassifications

Certain previously reported amounts for the year ended December 31, 2012 have been reclassified to conform to the December 31, 2013 classifications.

(2) Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied in November and are actually billed to the taxpayers in December. Billed taxes are due by December 31, becoming delinquent on January 1 of the following year. Tax revenues are recognized in the year they are billed.

The taxes are based on assessed values determined by the Tax Assessor of Vernon Parish and are collected by the Sheriff. The taxes are remitted to the West Vernon Parish Waterworks District net of deductions for Pension Fund Contributions.

For the year ended December 31, 2013, taxes of 10 mills were levied on property with net assessed valuations totaling \$5,071,164 and were dedicated to paying the operations and maintenance costs of the District. Total taxes levied during 2013 were \$50,712. Taxes receivable at December 31, 2013 totaled \$46,014.

WEST VERNON PARISH WATERWORKS DISTRICT
Anacoco, Louisiana

Notes to Basic Financial Statements (Continued)

(3) Cash and Cash Equivalents

Under state law, the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The District may invest in certificates and time deposits of the state banks organized under Louisiana law and national banks having principal offices in Louisiana. At December 31, 2013, the District had cash and cash equivalents (book balances) totaling \$660,767.

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the District's deposits may not be recovered or the District will not be able to recover the collateral securities that are in the possession of an outside party. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the pledging financial institution. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the financial institution. These securities are held in the name of the pledging financial institution in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at December 31, 2013, are as follows:

Bank balances	<u>\$ 661,581</u>
At December 31, 2013, the deposits are secured as follows:	
Federal deposit insurance	250,000
Uninsured and collateral held by the pledging bank, not in the District's name	<u>411,581</u>
Total	<u>\$ 661,581</u>

(4) Accounts receivable

Accounts receivable at December 31, 2013 of \$53,574 consisted of the following:

Accounts, net	\$ 42,059
Unbilled water	<u>12,840</u>
Total	<u>\$ 54,899</u>

(5) Restricted Assets

Restricted assets consisted of the following at December 31, 2013:

Revenue bond reserve account	\$ 261,037
Revenue bond contingency account	163,890
Customer deposits	<u>38,825</u>
Total restricted assets	<u>\$ 463,752</u>

WEST VERNON PARISH WATERWORKS DISTRICT
Anacoco, Louisiana

Notes to Basic Financial Statements (Continued)

(6) Capital Assets

Capital asset activity for the year ended December 31, 2013 was as follows:

	Beginning Balance 01/01/13	Increases	Decreases	Ending Balance 12/31/13
Capital assets not being depreciated:				
Land	\$ 72,512	\$ -	\$ -	\$ 72,512
Construction in process	204,611	52,501	257,112	-
Capital assets being depreciated:				
Buildings	63,458	-	-	63,458
Equipment and vehicles	39,692	5,858	-	45,550
Water distribution system	6,009,736	257,112	-	6,266,848
Total capital assets	6,390,009	315,471	257,112	6,448,368
Less accumulated depreciation for:				
Buildings	5,077	2,538	-	7,615
Equipment and vehicles	29,352	3,839	-	33,191
Water distribution system	1,688,936	153,994	-	1,842,930
Total accumulated depreciation	1,723,365	160,371	-	1,883,736
Capital assets, net	<u>\$ 4,666,644</u>	<u>\$ 155,100</u>	<u>\$ 257,112</u>	<u>\$ 4,564,632</u>

Depreciation expense included in the financial statements for 2013 totaled \$160,371.

(7) Changes in Long-Term Debt

The following is a summary of debt transactions for Water Revenue Bonds of the District for the year ended December 31, 2013:

Long-term debt payable at December 31, 2012	\$ 3,989,821
Long-term debt issued	-
Long-term debt retired	(74,361)
Long-term debt payable at December 31, 2013	\$ 3,915,460
Less portion of long-term debt due within one year	(77,764)
Portion of long-term debt due in more than one year	<u>\$ 3,837,696</u>

WEST VERNON PARISH WATERWORKS DISTRICT
Anacoco, Louisiana

Notes to Basic Financial Statements (Continued)

Long-term debt payable at December 31, 2013, is composed of the following issues:

\$3,579,000 Water Revenue Bonds, Note #91-01, issued February 2, 2001, due in monthly installments of \$17,511 over forty years starting August 2001 through July 2041; interest at 5.00 percent	\$ 3,111,327
\$795,900 Water Revenue Bonds, Note #91-03, issued February 2, 2001, due in monthly installments of \$3,876 over forty years starting March 2001 through February 2041; interest at 5.0 percent	681,073
\$73,906 Water Revenue Bonds, Note #91-05, issued February 2, 2011 to reschedule delinquencies on Note #91-05, due in monthly installments of \$366 over 443 months through February 2041; interest at 5.0 percent	65,060
\$80,000 Certificates of Indebtedness, Series 2012, issued December 15, 2011, due in ten annual installments of \$7,000-9,000 starting December 2011 through December 2020; interest from 1 - 4.85 percent	<u>58,000</u>
	<u>\$ 3,915,460</u>

The annual requirement to amortize all debt outstanding at December 31, 2013, is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 77,764	\$ 193,227	\$ 270,991
2015	81,334	189,532	270,866
2016	85,086	185,631	270,717
2017	89,029	181,427	270,456
2018	93,175	176,589	269,764
2019 - 2023	513,874	810,566	1,324,440
2024 - 2028	636,385	668,800	1,305,185
2029 - 2033	816,710	488,475	1,305,185
2034 - 2038	1,048,132	257,054	1,305,186
2039 - 2041	<u>473,971</u>	<u>24,329</u>	<u>498,300</u>
Total	<u>\$ 3,915,460</u>	<u>\$ 3,175,630</u>	<u>\$ 7,091,090</u>

(8) Capital Contributions

Capital contributions consisted of the following at December 31, 2013:

Grant monies from the State of Louisiana Division of Administration Facility Planning and Control	<u>\$52,501</u>
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WEST VERNON PARISH WATERWORKS DISTRICT
Anacoco, Louisiana

Notes to Basic Financial Statements (Continued)

(9) Compensation of Board Members

The following is a list of the commissioners and compensation paid for the year ended December 31, 2013.

<u>Commissioner</u>	<u>Compensation</u>
Roger Smart	\$ 720
John Burns	660
Alton Peltier	720
Joseph Smith	660
Sherry Marze	660
	<u>\$ 3,420</u>

(10) Risk Management

The District is exposed to risks of loss in the areas of general liability, property hazards and worker's compensation. All of these risks are handled by purchasing commercial insurance coverage. There have been no significant reductions in the insurance during the year.

(11) Prior Period Adjustment

Net position at the beginning of the year ended December 31, 2013 has been adjusted to correct errors from prior years. Ad valorem taxes receivable was overstated by \$50,047, Construction in Progress was understated by \$3,331, Cash was understated by \$1,433, Pension Deduction Payable was overstated by \$4,176 and Other Liabilities was understated by \$4,418. A prior period adjust is necessary to record the cumulative decrease in net position of \$45,523.

(12) Pending Litigation

There was no litigation pending against the West Vernon Parish Waterworks District at December 31, 2013.

(13) Subsequent Event

The District has evaluated subsequent events through September 25, 2014, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

WEST VERNON PARISH WATERWORKS DISTRICT
Anacoco, Louisiana

Schedule of Number of Utility Customers
December 31, 2013

Records maintained by the West Vernon Parish Waterworks District indicated the following number of customers were being serviced during the month of December, 2013:

Residential	1,255
Commercial	<u>9</u>
	<u>1,264</u>

The water rates of the District are as follows:

Residential rates:

\$12.00 per month for the first 2,000 gallons, then
\$ 5.00 per 1,000 gallons or part thereof over 2,000 gallons

Commercial rates:

\$69.00 per month for the first 10,000 gallons, then
\$ 5.00 per 1,000 gallons or part thereof over 10,000 gallons

Penalty for paying water bill after due date:

Additional ten percent (10%) of total water charge

The aging of accounts receivable is as follows:

Current	\$ 48,018
0 - 30 days	(7,182)
31 - 60 days	-
Over 60 days	<u>1,223</u>
Total	<u>\$ 42,059</u>

WEST VERNON PARISH WATERWORKS DISTRICT
Anacoco, Louisiana

Schedule of Insurance in Force
December 31, 2013

Coverage Provided For	Limits of Coverage (in dollars)	Description of limits	Expiration Date
Employee Fidelity Bond	\$ 1,000,000	Employee theft	07/01/15
General Liability	\$ 1,000,000	Each occurrence	11/14/14
	\$ 100,000	Damage to rented premises/occurrence	
	\$ 5,000	Medical payments	
	\$ 1,000,000	Personal injury	
	\$ 3,000,000	General aggregate	
Property and Inland Marine Coverage	\$ 100,000	Flood	12/14/14
	\$ 100,000	Earthquake	
Commercial Auto Coverage	\$ 1,000,000	Liability	11/14/14
	\$ 1,000,000	Uninsured motorist	
	\$ 5,000	Medical payments	
Workers Compensation	\$ 100,000	Bodily injury by each accident	11/14/14
	\$ 500,000	Bodily injury by disease policy limit	
	\$ 100,000	Bodily injury by disease each employee	
Commercial Excess Liability	\$ 100,000	Each occurrence	12/14/14
Crime Coverage	\$50,000-\$264,000	Various Theft	11/14/14

WEST VERNON PARISH WATERWORKS DISTRICT
Anacoco, Louisiana

Comparative Statements of Net Position
December 31, 2013 and 2012

ASSETS	2013	2012
Current assets:		
Cash and cash equivalents	\$ 197,015	\$ 96,046
Accounts receivable, net	54,899	44,127
Ad valorem tax receivable	46,014	45,343
Total current assets	<u>297,928</u>	<u>185,516</u>
Restricted assets -		
Revenue bonds reserve account	261,037	261,037
Revenue bonds depreciation and contingency account	163,890	153,234
Customer deposits	38,825	46,699
Total restricted assets	<u>463,752</u>	<u>460,970</u>
Capital assets, net	<u>4,564,632</u>	<u>4,666,644</u>
Total assets	<u>5,326,312</u>	<u>5,313,130</u>
LIABILITIES		
Current liabilities (payable from current assets):		
Accounts payable	4,545	10,583
Accrued liabilities	2,962	3,484
Salaries payable	2,611	-
Other liabilities	7,182	4,418
Total current liabilities (payable from current assets)	<u>17,300</u>	<u>18,485</u>
Current liabilities (payable from restricted assets):		
Customer deposits	38,825	38,375
Accrued interest on bonds	15,487	15,644
Current portion of long term debt	77,764	74,369
Total current liabilities (payable from restricted assets)	<u>132,076</u>	<u>128,388</u>
Total current liabilities	<u>149,376</u>	<u>146,873</u>
Noncurrent liabilities:		
Certificates of indebtedness payable	50,000	58,000
Revenue bonds payable	3,787,696	3,857,452
Total noncurrent liabilities	<u>3,837,696</u>	<u>3,915,452</u>
Total liabilities	<u>3,987,072</u>	<u>4,062,325</u>
NET POSITION		
Net investment in capital assets	649,172	676,823
Restricted for debt service	409,440	398,627
Unrestricted	<u>280,628</u>	<u>175,355</u>
Total net position	<u>\$ 1,339,240</u>	<u>\$ 1,250,805</u>

WEST VERNON PARISH WATERWORKS DISTRICT
Anacoco, Louisiana

Comparative Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2013 and 2012

	2013	2012
Operating revenues:		
Charges for services -		
Water sales	\$ 599,682	\$ 644,008
Installation and service fees	23,510	23,323
Other fees	20,013	750
Total operating revenues	<u>643,205</u>	<u>668,081</u>
Operating expenses:		
Advertising and promotion	2,351	2,234
Salaries and related benefits	139,584	127,732
Per diem of board members	3,420	3,840
Operation of plant	167,984	184,683
Depreciation	160,371	155,742
Total operating expenses	<u>473,710</u>	<u>474,231</u>
Operating income	<u>169,495</u>	<u>193,850</u>
Nonoperating revenues (expenses):		
Ad valorem taxes	50,712	47,915
State revenue sharing	12,261	12,247
Interest income	59	669
Interest expense	(196,593)	(200,390)
Total nonoperating revenues (expenses)	<u>(133,561)</u>	<u>(139,559)</u>
Income before contributions	35,934	54,291
Capital contributions	<u>52,501</u>	<u>201,280</u>
Change in net position	88,435	255,571
Net position, beginning, as restated	<u>1,250,805</u>	<u>995,234</u>
Net position, ending	<u><u>\$1,339,240</u></u>	<u><u>\$1,250,805</u></u>

**INTERNAL CONTROL, COMPLIANCE
AND
OTHER MATTERS**

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Commissioners
West Vernon Parish Waterworks District
Anacoco, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the West Vernon Parish Waterworks District (District), a component unit of the Vernon Parish Police Jury, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 25, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the West Vernon Parish Waterworks District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the West Vernon Parish Waterworks District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the West Vernon Parish Waterworks District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying summary schedule of current and prior year audit findings and management's corrective action plan as items #2013-001, #2013-003 and #2013-004 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying summary schedule of current and prior year audit findings and management's corrective action plan as item #2013-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the West Vernon Parish Waterworks District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying summary schedule of current and prior year audit findings and management's corrective action plan as items #2013-005 and #2013-006.

West Vernon Parish Waterworks District's Response to Finding

The West Vernon Parish Waterworks District's responses to the findings identified in our audit is described in the accompanying summary schedule of current and prior year audit findings and management's corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kolder, Champagne, Slaven & Company, LLC

Certified Public Accountants

Oberlin, Louisiana
September 25, 2014

WEST VERNON PARISH WATERWORKS DISTRICT
Anacoco, Louisiana

Summary Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
For the Year Ended December 31, 2013

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Corrective Action Plan	Name of Contact Person	Anticipated Date of Completion
CURRENT YEAR (12/31/13) --						
<u>Internal Control:</u>						
2013-001	Unknown	Due to the small number of employees, the District did not have adequate segregation of functions within the accounting system.		No response is considered necessary.	Shirley Rachal, Office Administrator	N/A
2013-002	2010	The District does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes.		The District has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the District to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.	Shirley Rachal, Office Administrator	N/A
2013-003	2013	The accounts receivable balance per the general ledger is not being compared to the customer accounts trial balance per the billing system. Errors or irregularities could be made in the recording of deposits, billings or adjustments without being detected in a timely manner. It is recommended that the accounts receivable balance per the general ledger should be compared to the accounts receivable balance per the billing system at the end of each month.		The accounts receivable trial balance will be reconciled to the general ledger on a monthly basis.	Shirley Rachal, Office Administrator	12/31/2014

continued

WEST VERNON PARISH WATERWORKS DISTRICT
Anacoco, Louisiana

Summary Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (Continued)
For the Year Ended December 31, 2013

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Corrective Action Plan	Name of Contact Person	Anticipated Date of Completion
CURRENT YEAR (12/31/13) --						
<u>Internal Control:</u>						
2013-004	2013	The customer meter deposit detailed listing from the utility system is not being reconciled to the general ledger. Errors or irregularities could be made in the recording of deposits or refunds without being detected in a timely manner. It is recommended that the customer meter deposit detailed listing be compared to the deposit liability balance per the general ledger at the end of each month.		The customer meter deposit detailed listing form the utility system will be reconciled to the general ledger on a monthly basis.	Shirley Rachal, Office Administrator	12/31/2014
<u>Compliance:</u>						
2013-005	2013	State law requires that audit reports be completed and submitted six months after the fiscal year end. The District's audit report was not completed and submitted prior to June 30, 2014.		The District is in agreement with this finding and will ensure that all future audits are submitted timely.	Shirley Rachal, Office Administrator	12/31/2014
2013-006	2013	Christmas bonuses were paid to all employees in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, LSA-RS 14:138, and AG Opinion 79-729 totaling \$2,300.		The District will no longer pay bonuses to employees.	Shirley Rachal, Office Administrator	12/31/2014

continued

WEST VERNON PARISH WATERWORKS DISTRICT
Anacoco, Louisiana

Summary Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (Continued)
For the Year Ended December 31, 2013

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Corrective Action Plan	Name of Contact Person	Anticipated Date of Completion
PRIOR YEAR (12/31/12) -- <u>Internal Control:</u>						
2012-001	Unknown	Due to the small number of employees, the District did not have adequate segregation of functions within the accounting system.	No	See finding 2013-001		
2012-002	2010	The District does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes.	No	See finding 2013-002		